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**ANNUAL AUDITED REPORT**  
**FORM X-17A-5**  
**PART III**

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**Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

REPORT FOR THE PERIOD BEGINNING 01/01/17 AND ENDING 12/31/17  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: Saybrus Equity Services, Inc.

OFFICIAL USE ONLY

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

FIRM I.D. NO.

One American Row

(No. and Street)

Hartford

Connecticut

06102-5056

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Gary C. Tebbetts

518-479-8353

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

CohnReznick, LLP

(Name - if individual, state last, first, middle name)

350 Church Street

Hartford

CT.

06103

(Address)

(City)

(State)

(Zip Code)

**CHECK ONE:**

☐

Certified Public Accountant

☒

Public Accountant

☐

Accountant not resident in United States or any of its possessions.

**FOR OFFICIAL USE ONLY**

\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholder  
of Saybrus Equity Services, Inc.

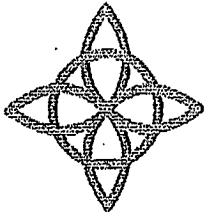
We have reviewed management's statements, included in the accompanying Exemption Report, in which (1) Saybrus Equity Services, Inc. identified the following provisions of 17 C.F.R. §15c3-3(k) under which Saybrus Equity Services, Inc. claimed an exemption from 17 C.F.R. §240.15c3-3: (k)(1) (the "exemption provisions") and (2) Saybrus Equity Services, Inc. stated that Saybrus Equity Services, Inc. met the identified exemption provisions throughout the most recent fiscal year without exception. Saybrus Equity Services, Inc.'s management is responsible for compliance with the exemption provisions and its statements.

Our review was conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States) and, accordingly, included inquiries and other required procedures to obtain evidence about Saybrus Equity Services, Inc.'s compliance with the exemption provisions. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on management's statements. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to management's statements referred to above for them to be fairly stated, in all material respects, based on the provisions set forth in paragraph (k)(1) of Rule 15c3-3 under the Securities Exchange Act of 1934.

*CohnReznick LLP*

Hartford, Connecticut  
February 26, 2018



Saybrus  
EQUITY SERVICES

Saybrus Equity Services, Inc.  
Exemption Report for the Period January 1, 2017 through December 31, 2017

Saybrus Equity Services, Inc. (the "Company") is a registered broker-dealer subject to Rule 17a-5 promulgated by the Securities and Exchange Commission (17 C.F.R. §240.17a-5, "Reports to be made by certain brokers and dealers"). This Exemption Report was prepared as required by 17 C.F.R. §240.17a-5(d)(1) and (4). To the best of its knowledge and belief the Company states the following:

- (1) The Company claimed an exemption from 17 C.F.R. §240.15c3-3 under the following provisions of 17 C.F.R. §240.15c3-3: (k)(l).
- (2) The Company met the indentified exemption provisions in 17 C.F.R. §240.15c3-3(k) throughout the most recent fiscal year without exception.

Saybrus Equity Services, Inc.

I, Gary C. Tebbetts, affirm that, to my best knowledge and belief, this Exemption Report is true and correct.

By: \_\_\_\_\_

Gary C. Tebbetts

Title: Chief Financial Officer

Date Signed: February 26, 2018


## OATH OR AFFIRMATION

I, Gary C. Tebbetts, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Saybrus Equity Services, Inc., as of December 31,, 20 17, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

  
Signature

Chief Financial Office ✓

Title

  
Notary Public

This report \*\* contains (check all applicable boxes):

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of Changes in Financial Condition.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital.
- ☒ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☒ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☐ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

**\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).**

**Saybrus Equity Services, Inc.**  
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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors and Stockholder  
of Saybrus Equity Services, Inc.

**Opinion on the Financial Statements**

We have audited the accompanying statement of financial condition of Saybrus Equity Services, Inc. (a Delaware corporation) as of December 31, 2017, the related statements of operations, stockholder's equity, and cash flows for the year then ended, and the related notes and Schedule I, Computation of Net Capital Under Rule 15c3-1, Schedule II, Computation for Determination of Reserve Requirements Under Rule 15c3-3, and Schedule III, Information Relating to the Possession or Control Requirements Under Rule 15c3-3 (collectively referred to as the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of Saybrus Equity Services, Inc. as of December 31, 2017, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**Basis for Opinion**

These financial statements are the responsibility of Saybrus Equity Services, Inc.'s management. Our responsibility is to express an opinion on Saybrus Equity Services, Inc.'s financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to Saybrus Equity Services, Inc. in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

**Supplemental Information**

The Schedule I, Computation of Net Capital Under Rule 15c3-1, Schedule II, Computation for Determination of Reserve Requirements Under Rule 15c3-3, and Schedule III, Information Relating to the Possession or Control Requirements Under Rule 15c3-3 have been subjected to audit procedures performed in conjunction with the audit of Saybrus Equity Services, Inc.'s financial statements. The supplemental information is the responsibility of Saybrus Equity Services, Inc.'s management. Our audit procedures included determining whether the supplemental information reconciles to the financial statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information presented in the supplemental information. In forming our opinion on the supplemental information, we evaluated whether the supplemental information, including its form and content, is presented in conformity with 17 C.F.R. §240.17a-5. In our opinion, the Schedule I, Computation of Net Capital Under Rule 15c3-1, Schedule II, Computation for Determination of Reserve Requirements Under Rule 15c3-3, and Schedule III, Information Relating to the Possession or Control Requirements Under Rule 15c3-3 are fairly stated, in all material respects, in relation to the financial statements as a whole.

We have served as Saybrus Equity Services, Inc.'s auditor since 2013.



Hartford, Connecticut  
February 26, 2018

**Saybrus Equity Services, Inc.**  
**Statement of Financial Condition as of December 31, 2017**

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**Assets:**

Cash	\$ 3,384,781
Concessions receivable from third parties	170,737
Concessions receivable from affiliate	100
State income taxes receivable from affiliate	490,713
Prepaid regulatory expenses	37,307
<b>Total assets</b>	<b>\$ 4,083,638</b>

**Liabilities:**

Payable to affiliate	\$ 1,302,031
Federal income taxes payable to affiliate	1,299,311
<b>Total liabilities</b>	<b>2,601,342</b>

**Stockholder's Equity:**

Common stock, par value \$0.01 (5,000 shares authorized, 100 issued and outstanding)	1
Additional paid-in capital	-
Retained earnings	1,482,295
<b>Total stockholder's equity</b>	<b>1,482,296</b>

<b>Total liabilities and stockholder's equity</b>	<b>\$ 4,083,638</b>
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The accompanying notes are an integral part of these financial statements.

**Saybrus Equity Services, Inc.**

**Statement of Operations for the Year Ended December 31, 2017**

**Revenues:**

Concessions earned

\$ 14,434,087

**Total revenues**

14,434,087

**Expenses:**

Salary and other compensation

10,497,720

Regulatory expenses

192,178

Other operating expenses

2,516,195

**Total expenses**

13,206,093

**Income before income taxes**

**1,227,994**

Income tax expense

501,104

**Net income**

**\$ 726,890**

The accompanying notes are an integral part of these financial statements.



**Saybrus Equity Services, Inc.****Statement of Stockholder's Equity for the Year Ended December 31, 2017**

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**Common Stock:**

Balance, beginning of year	\$ 1
Common shares issued	-
Balance, end of year	<u>\$ 1</u>

**Additional Paid-in Capital:**

Balance, beginning of year	\$ 2,108,960
Capital distribution to parent	(2,108,960)
Balance, end of year	<u>\$ -</u>

**Retained Earnings:**

Balance, beginning of year	\$ 5,646,445
Capital distribution to parent	(4,891,040)
Net income	726,890
Balance, end of year	<u>\$ 1,482,295</u>

**Total Stockholder's Equity:**

Balance, beginning of year	\$ 7,755,406
Change in stockholder's equity	(6,273,110)
Balance, end of year	<u>\$ 1,482,296</u>

The accompanying notes are an integral part of these financial statements.

**Saybrus Equity Services, Inc.****Statement of Cash Flows for the Year Ended December 31, 2017**

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**Cash Flows from Net Operating Activities:**

Net income	\$ 726,890
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**Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:**

Decrease in concessions receivable from third parties	683,927
Increase in state income tax receivable from affiliate	(490,713)
Decrease in prepaid regulatory expenses	4,427
Decrease in payable to affiliate	(7,214)
Increase in federal income taxes payable to affiliate	488,108
Decrease in state income tax payable to affiliate	(221)
Decrease in deferred federal income tax liability	(47,135)
Cash provided by operating activities	<u>1,358,069</u>

**Cash Flows from Financing Activities:**

Capital distribution to parent	<u>(7,000,000)</u>
Cash used in financing activities	<u>(7,000,000)</u>

Net decrease in cash and cash equivalents	(5,641,931)
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Cash, beginning of year	<u>9,026,712</u>
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Cash, end of year	<u>\$ 3,384,781</u>
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The accompanying notes are an integral part of the financial statements.

**1. Nature of Business and Summary of Significant Accounting Policies**

**Description of Business**

Saybrus Equity Services, Inc. ("Saybrus Equity" or the "Company") is a Delaware company organized on February 9, 2010 and registered as a securities broker/dealer with the Financial Industry Regulatory Authority ("FINRA") on August 16, 2010. Saybrus Equity is a wholly-owned subsidiary of Saybrus Partners, Inc. ("Saybrus Partners"). Saybrus Partners is a subsidiary of NSRE Saybrus Holdings, LLC, a direct wholly-owned subsidiary of Nassau Reinsurance Group Holdings, L.P. ("Nassau Re"), a privately held company. Saybrus Equity provides wholesaling services of variable life insurance and variable annuities to various third-party distributors and affiliates. Saybrus Equity is authorized to do business in all 50 states as well as the District of Columbia.

Saybrus Equity earns variable product concession income based on contractual rates when the life or annuity product premium is funded and the Company has no obligation past this milestone to perform services.

**Basis of Presentation**

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"). The single-year presentation is in accordance with Securities and Exchange Commission ("SEC") Rule 17a-5.

**Cash**

Cash includes all cash balances which are not subject to withdrawal restrictions or penalties. Cash equivalents include all highly liquid short-term instruments with a maturity of three months or less when acquired. There were no cash equivalents held by the Company as of December 31, 2017.

**Income Taxes**

The Company is included in the consolidated federal income tax return and the combined Connecticut corporation business tax return filed by Nassau Re. The Company records income tax expense or benefit in accordance with the Separate Return method, under which income taxes are computed as if the Company had filed on a stand-alone basis. The Company is also party to a tax sharing agreement with The Phoenix Companies, Inc. and its subsidiaries. Under this agreement, the Company settles income taxes as if it filed on a stand-alone basis. Additionally, settlement is made for the tax benefit of any net operating losses or other tax credits generated by the Company, not utilized on a stand-alone basis, and utilized in the consolidated federal tax or Connecticut corporation business tax return filed by Nassau Re. To the extent that actual cash settlement for a given year differs from the amount computed for the year under the Separate Return method, the difference is recorded as either a contribution to capital or a distribution.

Deferred tax assets and/or liabilities are determined in accordance with the Separate Return method by multiplying the differences between the financial reporting basis and tax reporting basis of assets and liabilities by the enacted tax rates expected to be in effect when such differences are recovered or settled. The effect on deferred taxes of a change in tax rate is recognized in income in the period that includes the enactment date of the change.

The Company's federal and state income tax returns prior to fiscal year 2014 are closed and management continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings. If necessary, the Company recognizes interest and penalties associated with tax matters as part of the income tax provision and includes accrued interest and penalties with the related tax liability in the statement of financial condition.

### **Revenue Recognition**

Variable product concession income is recorded as income when earned and is based upon actual premium funding levels.

### **Recent Accounting Pronouncement**

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers* ("ASU 2014-09"). ASU 2014-09 establishes the principles to apply in determining the amount and timing of revenue recognition. The core principle is that a company will recognize revenue when it transfers control of goods or services to customers in an amount that reflects the consideration to which it expects to be entitled in exchange for those goods or services. The Company will adopt ASU 2014-09 upon its effective date of January 1, 2018. The Company is currently assessing the impact of this guidance on its financial statements and disclosures.

### **Concentration of Business**

The Company monitors concentrations within its business in order to identify dependency on one or a few customers. The Company has one major third-party relationship, which accounted for approximately 90% of the Company's concessions revenue for the year ended December 31, 2017 and 66% of the Company's concessions receivable as of December 31, 2017.

At December 31, 2017, the Company maintains its cash balance in a single account with a highly rated depository institution. At times, such amounts may exceed federally insured limits. At December 31, 2017, the Company has uninsured cash in the amount of \$3,134,781.

### **Use of Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## **2. Distribution to Parent**

On March 1, 2017, a capital distribution to parent was made for \$7,000,000.

## **3. Transactions with Affiliates**

Saybrus Equity has an expense sharing agreement with its parent, Saybrus Partners. In accordance with the expense sharing agreement, Saybrus Partners pays operating expenses on the Company's behalf and is reimbursed through a cost allocation process. Expenses are incurred monthly and settled within 30 days. Expenses allocated to Saybrus Equity for the year ended December 31, 2017 were \$13,206,093. Such expenses may not represent the amount that Saybrus Equity would report if such relationship did not exist.

For the year ended December 31, 2017, income tax expense of \$501,104 was included in the statement of operations due to current year net income. As of December 31, 2017, the Company has a net income tax liability of \$1,299,311 payable to its affiliate on the accompanying statement of financial condition.

The Company has no employees.

**Saybrus Equity Services, Inc.**  
**Notes to Financial Statements**

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**4. Regulatory Matters**

**Net Capital Requirement**

Saybrus Equity is classified as a "limited purpose" securities broker and dealer by FINRA. As such, the firm is subject to the SEC Uniform Net Capital Rule which requires maintenance of minimum net capital (as defined in SEC Rule 15c3-1 ("Net Capital")) and certain debt to capital ratios. Due to its limited securities activities, the rule requires the Company to maintain minimum Net Capital equal to the greater of either \$5,000 or 6-2/3% of the Company's aggregate indebtedness as defined under Rule 15c3-1. The Company's capital exceeded this minimum throughout 2017.

At December 31, 2017, Saybrus Equity had Net Capital of \$954,176 and a Net Capital requirement of \$173,424. Rule 15c-1 also requires the Company's ratio of aggregate indebtedness to Net Capital not to exceed 15 to 1. The Company's aggregate indebtedness to Net Capital ratio was 2.73 to 1 at December 31, 2017.

**Exemptions from Reserve Requirements**

Saybrus Equity does not hold customer securities and does not perform custodial functions relating to customer accounts; therefore, the Company is exempt pursuant to Rule 15c3-3 subparagraph (k)(1) from the possession and control requirements and the requirement to maintain reserves for the exclusive benefit of its customers.

Saybrus Equity deals exclusively with the sale of insurance products and variable annuities and as such has filed an exclusion from membership in the Securities Investor Protection Corporation ("SIPC") under Section 78ccc(a)(2)(A)(ii) of the Securities Investors Protection Act of 1970 ("SIPA"). As of December 31, 2017, Saybrus Equity was in compliance with the conditions of these exemptions.

**5. Commitments and Contingencies**

Saybrus Equity may from time to time become involved in various legal proceedings, litigation and threatened litigation arising in the ordinary course of business. As of the date of these financial statements, there are no legal proceedings which individually or in aggregate have a material effect on the financial position, results of operations or cash flows of the Company.

**6. Income Taxes**

The components of the income tax expense for the year ended December 31 were as follows:

	<u>2017</u>
Current	\$ 548,240
Deferred	(47,136)
<b>Total income tax expense</b>	<b><u>\$ 501,104</u></b>

The following presents a reconciliation of income tax expense computed at the federal statutory rate to the income tax expense as reported:

	<u>2017</u>
Statutory rate	35.0%
Meals and entertainment	2.6%
State taxes	3.2%
Other	0.0%
<b>Effective income tax rate</b>	<b><u>40.8%</u></b>

**Saybrus Equity Services, Inc.**  
**Notes to Financial Statements**

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There were no deferred income taxes for the year ended December 31, 2017.

As of December 31, 2017, Saybrus Equity does not have an asset for unrecognized tax benefits recorded in its financial statements. Saybrus Equity does not anticipate any material change in this position in the next twelve months.

On December 22, 2017, the President of the United States signed into law the Tax Cuts and Jobs Act (the "Act"). The Act amends the Internal Revenue Code to reduce tax rates and modify policies, credits, and deductions for individuals and businesses. For businesses, the Act reduces the corporate federal tax rate from a maximum of 35% to a flat 21% rate. The rate reduction took effect on January 1, 2018. The Company does not expect these tax law changes to materially impact its financial statements.

**7. Subsequent Events**

The Company evaluated events subsequent to December 31, 2017 and through February 26, 2018, the date of issuance of these financial statements. The Company has determined there have been no events that have occurred that would require adjustments to the Company's financial statements.

**Saybrus Equity Services, Inc.**  
**Schedule I**

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**Computation of Net Capital Under Rule 15c3-1 of the  
Securities and Exchange Commission**

**As of December 31, 2017**

<b>Net capital</b>	
Total stockholder's equity	<u>\$ 1,482,296</u>
Deduct assets not allowable for net capital	
Concession receivable from affiliate	100
State income taxes receivable from affiliate	490,713
Prepaid regulatory expenses	<u>37,307</u>
Total deductions from net capital	<u>528,120</u>
 Net capital before specific reduction in the market value of securities	 954,176
 Less securities haircuts pursuant to Rule 15c3-1	 <u>-</u>
 Net capital	 <u>\$ 954,176</u>
 <b>Aggregate indebtedness</b>	
Items included in statement of financial condition	
Payable to affiliate	\$ 1,302,031
Payable for federal income tax	<u>1,299,311</u>
 Total aggregate indebtedness	 <u>\$ 2,601,342</u>
 <b>Computation of basic net capital requirement</b>	
Minimum net capital required (based upon aggregate indebtedness)	\$ 173,424
Minimum dollar requirement	\$ 5,000
Net capital requirement	\$ 173,424
Excess in net capital	\$ 780,752
Excess in net capital at 1,000%	\$ 694,041
Ratio: aggregate indebtedness to net capital	2.73 to 1

**Reconciliation with Company's Computation**  
**(Included in Part II of Form X-17A-5 as of December 31, 2017)**

There are no differences between this computation of net capital pursuant to Rule 15c3-1 and the corresponding computation prepared and included in the Company's unaudited Part II FOCUS Report as filed on January 25, 2018.

See Report of Independent Registered Public Accounting Firm.

**Computation for Determination of Reserve Requirements  
Under Rule 15c3-3 of the Securities and Exchange Commission**

**As of December 31, 2017**

The Company is exempt from the provisions of Rule 15c3-3 as of December 31, 2017 under the Securities Exchange Act of 1934, in that the Company's activities are limited to those set forth in the condition for exemption appearing in paragraph (k)(1).

See Report of Independent Registered Public Accounting Firm.



**Information Relating to the Possession or Control  
Requirements Under Rule 15c3-3**

**As of December 31, 2017**

The Company does not carry securities accounts for customers or perform custodial functions related to customer securities.

The Company is exempt from the provisions of Rule 15c3-3 as of December 31, 2017 under the Securities Exchange Act of 1934, in that the Company's activities are limited to those set forth in the condition for exemption appearing in paragraph (k)(1).

See Report of Independent Registered Public Accounting Firm.